

Message Text

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72

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: POSSIBLE UK DEMANDS FOR CHANGES IN THE CAP

1. SUMMARY. THE UK IN THE MARCH 21 AG COUNCIL MEETING WILL PROBABLY DEMAND IMPORTANT DEROGATIONS FROM THE CAP RULES. ALTHOUGH MOST MEMBER STATES APPEAR WILLING TO MAKE CONCESSIONS TO UK, THERE IS WIDESPREAD APPREHENSION IN COMMUNITY CIRCLES THAT EVEN FAR REACHING CONCESSIONS WILL FALL SHORT OF BRITISH DEMANDS AND A SERIOUS COMMUNITY CRISIS MAY ENSUE. END SUMMARY.

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2. AGRICULTURAL GROUPS IN THE COMMUNITY AND THE COMMISSION LOOK WITH APPREHENSION TOWARD THE NEXT MEETING OF THE COUNCIL OF AGRICULTURAL MINISTERS, SCHEDULED FOR MARCH 21. IT IS PROBABLE THAT THE NEW BRITISH GOVERNMENT WILL DEMAND MODIFICATIONS IN APPLICATION OF THE CAP TO THE UK, BUT IT IS UNCERTAIN HOW FAR REACHING THESE DEMANDS WILL BE. THE COMMISSION AND MOST MEMBER STATES ARE REPORTEDLY WILLING TO ACCOMMODATE THE BRITISH EVEN IF THIS REQUIRED A MOST GENEROUS INTERPRETATION OF THE CAP RULES. HOWEVER, EVEN FAR REACHING CONCESSIONS BY THE OTHER GOVERNMENTS COULD POSSIBLY FALL SHORT OF THE UK'S MINIMUM DEMANDS. SHOULD THIS BE THE CASE, A MAJOR COMMUNITY CRISIS MAY OCCUR. THE PROBLEM IS COMPLICATED BY THE FACT THAT THE EIGHT MEMBER GOVERNMENTS HAVE COMMITTED THEMSELVES TO REACH AGREEMENT ON THE 1974/75 CAP SUPPORT PRICES, AND PARTICULARLY ON THE BEEF AND DAIRY PRICES, BY APRIL 1, WHEN THE DAIRY AND BEEF YEAR REGULARLY BEGINS.

3. EVEN IF NO PRICE DECISION WERE DUE, THE UK ON APRIL 1, ACCORDING TO THE TREATY OF ACCESSION, WOULD HAVE TO MAKE AN UPWARD ADJUSTMENT IN THE SUPPORT PRICES FOR BEEF AND DAIRY PRODUCTS TOWARD THE COMMUNITY PRICE LEVEL. THIS ADJUSTMENT WOULD HAVE TO BE LARGER, IF THE COUNCIL PRIOR TO APRIL 1 DECIDED THAT THE COMMON CAP PRICE LEVEL FOR THESE PRODUCTS IS TO BE RAISED, AS PROPOSED BY THE COMMISSION. THE PRICES FOR MOST OTHER CAP PRODUCTS ARE ALSO EXPECTED TO BE RAISED IN THE 1974/75 MARKETING YEAR. THUS, THE UK WOULD ALSO HAVE TO MAKE A LARGER UPWARD ADJUSTMENT OF THE SUPPORT PRICES FOR OTHER PRODUCTS (E.G. GRAINS) BY AUGUST 1, WHEN THE NEW MARKETING YEAR FOR THESE PRODUCTS BEGINS.

4. THERE ARE PRECEDENTS IN THE HISTORY OF THE CAP WHICH WOULD SUPPORT A MEMBER STATE NOT APPLYING THE COMMON PRICE LEVELS OR TO RETARDING ITS APPLICATION. IT IS CONCEIVABLE THAT THE PARTNERS OF THE UK WOULD AGREE TO EXEMPT THE UK TEMPORARILY FROM CERTAIN CAP RULES. HOWEVER, THE UK IS LIKELY TO REQUEST ALSO DEROGATIONS FROM ITS FINANCIAL OBLIGATIONS VIS-A-VIS FEOGA. IN PARTICULAR, IT IS LIKELY THAT THE UK WILL REFUSE TO PAY FOR HIGHER COMMUNITY FEOGA EXPENDITURES THAT COULD RESULT FROM THE PROPOSED INCREASE IN CAP PRICES, EVEN IF THE UK WERE EXEMPTED FROM APPLYING THESE HIGHER PRICES. IT IS DIFFICULT
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TO CONCEIVE OF FRANCE AGREEING TO SUCH AN EXEMPTION FROM THE SACROSANCT PRINCIPLE OF COMMON FINANCIAL RESPONSIBILITY OF THE CAP.

5. COMMISSION OFFICIALS ARE ALSO APPREHENSIVE ABOUT THE CONSEQUENCES OF A POSSIBLE STALEMATE IN THE FORTHCOMING COUNCIL MEETING. IF NO AGREEMENT IS REACHED BETWEEN BRITAIN AND THE OTHER MEMBER STATES, BRITAIN COULD BLOCK

ANY COUNCIL DECISION, PROVIDED THE RULE OF UNANIMITY VOTING IS OBSERVED. IN THIS CASE, SEVERAL MEMBER STATES PARTICULARLY FRANCE, ITALY AND GERMANY MAY TAKE NATIONAL SUPPORT MEASURES IN ORDER TO FULFILL THE PROMISES GIVEN TO THEIR FARMERS. IF, ON THE OTHER HAND, THERE WERE MAJORITY VOTING, THE UK MIGHT CONSIDER ITSELF NOT BOUND BY ANY COUNCIL DECISION. IN EITHER CASE, THE CAP WOULD BE FURTHER IMPAIRED. GREENWALD

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